APPENDIX C

Snohomish County Consortium

Affordable Housing Program Policies

Please note that the HOME Policies in these comprehensive Policies have been superseded by the HOME Partnership Interim Policies and Procedures which are attached as Appendix D.

Snohomish County
Community Development Block Grant Consortium
HOME Program Consortium

SNOHOMISH COUNTY AFFORDABLE HOUSING PROGRAM POLICIES

Updated September 5, 2013

AFFORDABLE HOUSING PROGRAM POLICIES

TABLE OF CONTENTS

Purpose

This document contains the policies which apply to the use of Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), Snohomish County Affordable Housing Trust Fund (AHTF) and .1% Sales Tax funds for housing projects and programs in Snohomish County. It has the following purposes:

- To present housing policies related to the allocation of funds and the implementation of capital projects and programs
- To explain the policy basis for various application and funding requirements
- To set the policy context for the annual allocation of housing funds

Organization & Development

The document is organized into six major sections which describe:

- The policy requirements for the use of HOME funds
- The policy requirements for the use of CDBG funds for housing
- Federal requirements which apply when either CDBG or HOME funds are used
- The policy requirements for the use of AHTF funds
- County housing policies not dictated by federal requirements
- The policy requirements for the use of AHTF funds

It was developed in conjunction with the jurisdictions that make up the Snohomish County Consortium, and public agencies and nonprofit organizations who utilize County housing funds. The process included:

- the provision of written materials, including a draft outline, policy issue papers for major policies to be covered by the Plan, and the draft Plan;
- a meeting to identify major policy issues;
- two meetings to discuss policy issues and options; and
- one meeting to comment on the draft Plan.

Written materials and information about meetings were provided to 40 cities and organizations.[1]

Relationship to Other Plans and Agreements

There are other documents which also relate to the use of CDBG and HOME funds. They include the Snohomish County Urban County Consortium five- yea*r* Housing and Community Development Consolidated Plan and Annual Action Plans, the Snohomish County Ten Year Plan to End Homelessness entitled <u>Everyone at Home Now</u>, the

[1] *This process was conducted 1998 for the development of the original policies.*

CDBG, HOME, and AHTF Interlocal Agreements, the Snohomish County Residential Antidisplacement & Relocation Assistance Plan, the Citizen Participation Plan, and the Snohomish County Comprehensive Plan. The Housing Policies included here are not intended to supersede any of these existing documents. Rather, these policies provide the implementation framework for the more general policies of the other plans.

The Snohomish County Consortium

Consortium Membership and Funding

The Snohomish County Urban County Consortium (Consortium) is a partnership between Snohomish County and most of the cities and towns within the Snohomish County. The partnership is established through interlocal agreements.

This partnership allows the Consortium, as an Urban County, to receive funding each year from the U.S. Department of Housing and Urban Development (HUD) as formula grants under the federal CDBG, HOME, and ESG programs. Funds received are used to meet the locally determined needs and priorities in the Consolidated Plan.

The funding allocations are based on formulas which consider such factors as the number of low-income households, households paying more than 30% of their income for housing, and the amount of housing in need of rehabilitation in our local jurisdiction.

Snohomish County is the applicant and grant recipient entity (lead agency) for these funds. In this capacity, Snohomish County is responsible for the overall administration, planning, monitoring, and reporting requirements for these programs on behalf of the Consortium. Snohomish County develops the required plans through a consultation and input process which allows for input from Consortium members, public and private agencies, and the general public.

The CDBG Consortium (which includes CDBG, HOME, and ESG funds) includes the County and 18 cities and towns within the County and covers both the incorporated and unincorporated areas of the County. It does not include the City of Bothell or the City of Everett. The City of Bothell is split by the County line and partners with King County. The City of Everett receives CDBG funds directly from HUD and its share of ESG funds is included in the balance of state funds administered by the Washington State Department of Commerce. The City of Marysville is currently a member of this Consortium, but will no longer be a member effective July 1, 2012. As of that date, Marysville will become its own CDBG entitlement community and receive CDBG funds directly from HUD.

Since 1993, the City of Everett and Snohomish County have also formed a Consortium for the receipt of HOME funds. The Interlocal Agreement between the City of Everett and the County results in an increased amount of HOME funding for our local community. The City of Marysville joined the HOME Consortium with the City of Everett and the County in 2011, which became effective July 1, 2012. A percentage of HOME funds received each year is set-aside for affordable housing projects located in the City of Everett which are selected by the City of Everett through its own project selection process. Final approval of these projects is made by the Snohomish County Council after county-wide citizen participation requirements are met. Projects located within the city of Marysville are eligible to compete for HOME funds through the Consortium's project selection process.

The County and all the cities and towns within the County have entered into separate interlocal agreements for the administration of the AHTF program. AHTF funds are local funds generated from recording fees on certain real estate documents. The City of Everett receives a percentage set-aside of AHTF funds each year for affordable housing projects located within the City of Everett. The City of Everett selects projects for its portion of AHTF funds through it own project selection process.

Administration and Decision-Making

Every three years the jurisdictions renew their participation in the CDBG and HOME Consortiums. The CDBG and HOME Interlocal Agreements currently in place are self-renewing and the members in the Consortium are provided an opportunity to opt out of the Consortium every three years. The AHTF interlocal agreements are self-renewing every five years. The Interlocal Agreements describe the general administrative and decision-making structure of the Consortium.

Representatives of Consortium cities and citizens participate in the decision-making process through the 28-member Technical Advisory Committee (TAC)[2]. The TAC's role is to review requests and make funding recommendations to the Policy Advisory Board (PAB).

The PAB is made up of elected officials of the County and Consortium cities[3]. Policy and funding recommendations developed by the PAB are reviewed and recommended by the Executive and are acted on by the Snohomish County Council.

Snohomish County administers all funds on behalf of the Consortium through its Human Services Department and the Office of Housing and Community Development and the Office of Homeless and Community Services within this Department. The County's administrative responsibilities include, but are not limited to:

- Preparing a Consolidated Plan every five years which identifies local affordable housing and community development needs, and establishes priorities for the use of funds from several federal programs, including CDBG and HOME
- Reviewing fund requests and managing the fund allocation process

[2] The TAC is made up of representatives of the participating local governments, two representatives of the County, a representative of the County's Housing Authority, and citizens representing low-income persons, handicapped persons, minority persons, and the elderly.

[3] The PAB is comprised of: 1) County Executive or designee; 2) three members of the County Council; 3) one mayor or council member from a city with a population of 10,000 or more; 4) one mayor or councilmember from a city with a population between 3,000 and 10,000; 5) one mayor or councilmember from a city/town with a population of less than 3,000; 6) one mayor or councilmember selected at large; and 7) one citizen selected and appointed by the other eight members of the PAB to serve as ex officio Chairperson.

- Preparing an Annual Action Plan that includes project descriptions and award amounts
- Contracting with fund recipients
- Monitoring the implementation of projects for compliance with federal requirements
- Preparing an annual performance and evaluation report on program activities
- Fiscal management of the funds
- Managing the required citizen participation process

The Funding Process

The County solicits competitive proposals through an annual application process. Applicants may apply for funds to develop projects or to operate housing programs which benefit low- and/or moderate-income households. Potential applicants are notified of availability of funds through the publication and mailing of a Notice of Fund Availability (NOFA). The funding evaluation criteria are established and approved by the PAB and are included in the applications

Applications are reviewed for eligibility, analysis of technical issues, and compliance with funding criteria by County staff. Proposals are scored against the funding criteria and ranked by the TAC, which then makes funding recommendations to the PAB. The PAB reviews the TAC recommendations and makes final funding recommendations, which are, reviewed and recommended by the County Executive, then sent to the County Council. The County Council makes final funding decisions. Prior to the Council making final funding decision, the recommendations are published for a 30 day public review and comment period. Any comments received are taken into consideration before awards are made. Awards for CDBG, HOME, and ESG fund are contained in the Annual Action Plan approved by the County Council each year. Awards for AHTF projects are awarded separately.

Household Income Eligibility by Program Type for HOME & AHTF Projects

Household income eligibility for HOME rental housing projects and homeowner housing rehabilitation programs will be determined based on the Part 5 (Section 8) income definition.

Household income eligibility for HOME homeownership purchase assistance programs will be determined based on the 1040 IRS income definition.

Non-Smoking Policy

A Non Smoking policy was implemented and made effective beginning with the 2012 program year funding round for capital housing projects. The policy is authorized by County Council Motion No. 10-425, and further outlined in more specific detail in the Non-Smoking Policy 2011 #1 approved by the PAB in September 2011. To encourage indoor non-smoking policies, funding incentive bonus points, equal to approximately four percent, will be added to the application evaluation points by each TAC member rating the project, if the applicant meets the County’s non-smoking policy criteria.

Policies Based on Federal Requirements

The majority of policies which govern how the County's housing funds can be used are based on the federal regulations which apply to the CDBG and HOME programs. Both programs have extensive requirements which dictate basic policies such as eligible uses of funds, eligible applicants, income levels of beneficiaries, rent levels, and types of assistance which can be provided.

The basic federal requirements are summarized in the following two sections. The purpose of these sections is to provide an overview of the federal requirements, rather than a full recitation of the regulations. Potential program/project sponsors should be acquainted with the federal regulations before preparing an application for funding. The regulations governing the HOME Program can be found in the Code of the Federal Register (CFR), Section 24, Part 92. Regulations for the CDBG Program are at 24 CFR, Part 570.

The CDBG Program

Overview

The CDBG Program provides funds for a variety of activities to address the needs of low- and moderate-income households. CDBG funds can be used for public facilities (i.e. community centers, sidewalks, sewer systems), public services, economic development activities, and some housing projects and programs.

All activities funded with CDBG funds must meet one of the following three national objectives:

- Benefit to low- and moderate-income persons
- Aid in the prevention of slums and blight
- Meet a need having a particular urgency

Housing activities are generally qualified as eligible under the objective of benefiting low- and moderate-income persons. The program defines low-income households as those earning less than 50% of the area median income. Moderate-income households are those earning less than 80% of the median income. (The current income guidelines will always be included in the application for funds or can be obtained from the Office of Housing and Community Development.)

Eligible and Ineligible Housing Activities

CDBG-eligible housing activities include:

- Emergency shelter
- Transitional housing
- Special needs housing such as group homes and nursing homes
- Permanent rental housing
- Assistance for homeowners

CDBG fund can be used to fund a single housing project, as well as a housing program which delivers assistance to multiple housing projects, typically single family homes. The County has, historically, used CDBG funds for both projects and programs.

Specific eligible uses of funds differ for the various housing activities listed above. Eligible uses are summarized below. For all activities, the costs of either 1) the temporary or permanent relocation of residents, or 2) project-related development costs are eligible uses of CDBG funds.

Eligible uses of funds for housing to serve homeless persons and people with special needs are:

- New construction of shelter/housing
- Acquisition and/or rehabilitation of shelter/housing
- Conversion of non-housing facilities to shelter/housing

CDBG funds may be used to provide permanent rental housing in the following ways:

- Acquisition and/or rehabilitation in which 51% or more of the units will be affordable to and rented by income eligible households
- Rehabilitation of publicly owned housing
- Activities "in support" of new construction of permanent housing including acquisition, clearance, provision of public improvements and predevelopment expenses (excluding preparation of detailed construction drawings and plans)

Homeowners can be assisted through the provision of:

- Rehabilitation assistance for existing homeowners (including mobile homes)
- Home purchase assistance including providing acquisition financing, paying up to 50% of the required down payment, or paying closing costs

Ineligible housing activities under the CDBG program are:

- New construction of permanent housing[4]
- Provision of rent subsidies[5]

Eligible users of County CDBG Funds

---

[4] An exception is new construction of housing carried out by a Community Based Development Organization (CBDO) as part of a recognized neighborhood revitalization strategy. CBDOs are organized to carry out community development activities in a specific area and to address the social and physical environment focusing on the needs of low- and moderate-income people.

[5] Rental assistance payments can be eligible in an emergency situation, for no longer than three months. However, the County does not use CDBG funds for this purpose.

Public, nonprofit, and for-profit entities are all eligible users of CDBG funds for housing. There are, however, some limitations on the uses of CDBG funds by certain of the potential eligible users. The following table summarizes the housing activities which can be carried out by eligible recipients of CDBG funds[6].

ELIGIBLE FUND USERS	**ELIGIBLE ACTIVITIES**					
	Emergency Shelter, Transitional Housing	Special Needs Housing	Permanent Rental Housing	Support of New Construction	Owner Rehab	Purchase Assistance
Cities/ County Departments	√	√	√	√	√	√
Housing Authorities	√	√	√	√	√	√
Nonprofit Entities	√	√	√	√	√	√
For-profit Entities			√	√	√	√

Entities with previous experience with CDBG funds for housing should schedule a meeting with County staff to review their project/program concept and understand if, and how, funds might be used.

Occupancy

CDBG funds generally must be used for projects/programs in which 51%, or more, of the beneficiaries will have incomes below 80% of the area median income. HUD periodically publishes income guidelines which establish the maximum allowable income, by family size. The applicable income guidelines will be published in the application for housing funds.

---

6 Some entities are technically eligible to receive funding for the activities shown in the table, but have historically not used CDBG funds for housing. For example, cities and towns usually support the housing activities of the Housing Authority and nonprofit housing agency, rather than applying directly for funds. For-profit entities have not typically applied due to the multiple federal requirements and long term rent regulations that apply to the use of funds.

In limited circumstances, CDBG funds may be used for rental housing projects in which less than 51% of the units will be affordable and rented to eligible households. These circumstances include when:

- assistance is to reduce the development cost of new construction of multifamily, non-elderly housing (acquisition, site assemblage, clearance, site improvements, and public improvements),
- 20% or more of the units will be occupied by eligible, low- or moderate-income households, and
- the amount of CDBG funds as a percentage of the total development cost of the project does not exceed the proportion of total units which will be occupied by income-eligible tenants.

Affordability

Rental Housing

CDBG-assisted rental housing must be affordable to, and rented to, low- and moderate-income households.

The County's standard for affordability is the same as the federal affordability standard. Rental housing units are considered affordable when households pay no more than 30% of their income for rent and utilities. Rents in CDBG-assisted units may be set to address affordability for 1) households based on their individual incomes, or 2) households within specific income groups[7].

Ownership housing

There is no specific affordability requirement related to CDBG-funded homeownership activities. Homeownership is typically thought to be affordable when owners pay 28% to 35% of their monthly income for PITI (mortgage principal, mortgage interest, taxes, and insurance).

Locational Requirements

CDBG funds awarded to the Consortium generally can be used only for projects/programs located in the County, outside of Everett and Marysville. Everett and Marysville receives its own CDBG funding. It is not considered part of the CDBG Consortium for purposes of providing or rehabilitating housing with CDBG funds.

The exception to this regulation is any housing activity which the County has determined will benefit County residents (other than Everett and Marysville residents) proportionally to the amount of funding provided, and will further one of the County's housing objectives.

County Policies for CDBG-Funded Housing

[7] For example, in a project intended to serve households with 50% or less of the median income, the maximum rent, including utilities, would be set at 30% of 50% of median income. In this example, a household earning 45% of the median income is eligible to rent a unit, but would pay slightly over 30% of income in housing costs.

The following policies which apply to the use of CDBG funds for housing are not required by federal regulations, but have been adopted by the Consortium.

Housing allocation of CDBG Funds

At least 45% of the annual amount of CDBG funds available for capital projects[8] will be set aside for housing projects/programs.

Per unit costs

No minimum or maximum cost per unit will apply to the County's investment of CDBG funds in housing projects/programs. This will allow CDBG funds to be used 1) with other public funds where the maximum cost per unit is not enough to accomplish the project, or 2) where emergency and/or minor home repairs are being provided.

Rehabilitation Standards

The County has not adopted a specific rehabilitation standard for the use of CDBG funds, so as not to limit the flexibility the funds provide to address a variety of rehabilitation situations.

For projects involving moderate to substantial rehabilitation, project sponsors will be expected to provide quality housing that will last for 20 to 40 years. Rehabilitation requirements will be flexible to accommodate a variety of unit and building types. Rehabilitation work should largely focus on repair/ replacement of major building systems necessary to insure viable, long-term housing. In addition, overall design of the project and proposed improvements must be appropriate to the tenants to be housed.

CDBG funds will also be available for housing activities which are intended to address situations such as providing emergency repairs, repairs which allow weatherization, or minor home repairs.

Rent Increases

When CDBG funds are awarded for the provision of permanent rental housing, an approved rent schedule for the CDBG-assisted units will be included in the contract documents. Rents will be considered affordable if they include a monthly utility allowance and represent 30% of monthly income for households in the income groups intended to be served.

Subsequent rent increases should be based on increased operating costs of the project and reported to the County through the recipient's annual report (see Monitoring, page 42).

Payment of pre-award costs

At the County's discretion, CDBG funds can be used to reimburse the project/program sponsor for cost incurred prior to the award of funds to the project. The County will reimburse such costs so long as:

---

[8] Twenty percent (20%) of the annual CDBG entitlement is budgeted for administrative costs and 15% is set-aside for funding of public services. The 45% housing allocation is calculated on the balance.

- they represent eligible uses of CDBG funds, and
- if they are for items or services procured in compliance with the procurement requirements (page 26).

The HOME Program

Overview

The HOME Program was established in 1992. The national objectives of the program are:

- Provide decent, affordable housing for low-income households
- Develop the capacity of nonprofit housing agencies to address the housing needs of low-income households
- Provide funding for state and local governments to address low-income housing needs
- Leverage private sector participation

Only housing-related activities can be funded with HOME funds. All HOME-assisted units must provide housing for households with incomes of less than 80% of the area median income, and for certain activities, a portion of the funds must provide housing for households with less than 50% of the area median income.

Eligible and Ineligible Activities

HOME Program funds can be used for a wide range of housing projects and programs. These include:

- Transitional housing and permanent rental housing
- Tenant-based rental assistance
- Home rehabilitation assistance for low- and moderate-income homeowners
- Home purchase assistance

Capital investment of HOME funds

With the exception of tenant-based rental assistance and operating assistance for certain types of nonprofit organizations, HOME funds must be used for capital investments in housing. There are a variety of capital costs which can be paid with HOME funds. These include:

- New construction, rehabilitation, and reconstruction (rebuilding housing on the same lot where it was located at the time funds were committed to the project)
- Conversion of a non-residential structure to housing
- Acquisition of standard units or those in need of rehabilitation

- Acquisition of vacant land or demolition of existing housing, if construction of new housing will begin within 12 months
- On-site infrastructure improvements and off-site utility connections
- Relocation costs
- Refinancing of existing debt on single-family, owner-occupied housing in conjunction with rehabilitation
- Capitalization of project reserves to fund initial operating deficits of rental housing projects for a period of up to 18 months
- Project-related development costs (predevelopment expenses, professional services, financing costs, development fees, etc.)

***Prohibited* Activities**

Ineligible uses of HOME funds are:

- Rehabilitation of public housing
- Project-based rental assistance
- Acquisition/rehabilitation of commercial facilities
- Project reserve accounts
- Provision of matching funds for other programs
- Properties previously funded through the Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) or the Emergency Low-Income Preservation Act (ELIHPA), unless the funds are used to assist a nonprofit organization to purchase such a property
- No additional funds may be provided to a previously HOME-assisted project after one year from project completion
- Acquisition of County-owned property unless the property was specifically purchased with other funds for a HOME project
- *** (New)** federal requirements effective program year 2012 and anticipated to remain in place for 2013 requires HOME funded projects to be completed and occupied no more than four (4) year from the date of contract execution.

Eligible Applicants

Public agencies, nonprofit organizations, and for-profit entities are all eligible to apply to the County for HOME funds. Fund recipients are classified into one of three categories.

Community Housing Development Organization (CHDO)

<u>CHDO Certification</u>

A CHDO is a private nonprofit organization which meets certain specific criteria, including having 1) IRS tax exempt status, 2) a mission/purpose related to housing and service to a low-income community, and 3) a board composition which includes one-third low-income residents or their representatives. Organizations must apply to the County for CHDO certification or re-recertification annually. In certifying CHDOs, Snohomish County will give priority to agencies that plan to produce HOME housing projects annually or at least every two years in order to increase the production of affordable housing in Snohomish County. Agencies that occasionally develop affordable housing projects will be encouraged to use the County and CHDO's staff to provide technical assistance for their projects. Pre-development loan funds are available from other sources.

CHDO's must continue to meet all the HOME/CHDO requirements as well as the following:

(1) Have a proven track record of developing housing, with three or more projects during the preceding 5 years;

(2) Have the administrative and financial capacity to develop housing;

(3) Not have findings from HUD or the County when their work is monitored or reviewed;

(4) Would be willing to participate in Snohomish County activities in terms of planning and,

(5) Have the capacity to help some of the other organizations.

Capital Funds for CHDO's

Federal HOME regulations require that at least 15% of the HOME allocation be set aside to fund projects to be developed, owned, or sponsored by CHDOs. Up to 10% of the set aside can be used for project specific predevelopment loans to assure that CHDOs have access to funding for the "up front" costs of developing a project. It is the County's policy to consider requests for predevelopment loans on a case-by-case basis.

Operating Funds for CHDO's

The County also has the option of using up to 5% of the HOME allocation to assist CHDOs with general operating costs. Eligible costs are defined as:

> "reasonable and necessary costs for the operation of the community housing development organization. Such costs include salaries, wages, and other employee compensation and benefits; employee education, training, and travel; rent; utilities; communication costs; taxes; insurance; equipment; materials and supplies."

The County can only fund a CHDO for operations if that CHDO is also receiving HOME capital funds, or is expected to receive capital funds within two years. However, these operating funds are **not** a supplemental funding source for the HOME project which qualifies the CHDO for the operating funds program. Project-specific costs of the type described above should either be identified specifically in the project budget or are compensated by way of the project Developer Fee.

Snohomish County currently makes up to 5% of HOME funds available for CHDO Operating Support Grants.[9] The County annually invites existing and potential CHDO's to submit an application for operating support funds which requests an amount of operating funds and specifies how they will be used and explains how the funds will support or build the CHDO's capacity to develop HOME-assisted units which are underway or expected within the next two years.

Of the up to five percent (5%) set-aside for CHDO Operating Grant funding:
The funding will be awarded to active CHDOs that have a current HOME project or that can show that they will have a HOME project within 24 months of funding. If a CHDO Operating Support Grant is awarded and the agency does not have a HOME project by the time the CHDO contract is executed, the funds will be withdrawn.

Subrecipients

A subrecipient is a public agency or nonprofit organization selected by the County to run a portion of the HOME Program. When a CHDO is also a subrecipient, the use of funds does not count toward the required 15% set-aside for CHDOs. The current subrecipients are the City of Everett and HomeSight. The County sets aside 21 percent of HOME funds each year for eligible affordable housing projects located in the City of Everett which are selected by the City of Everett through its project selection process, with final approval by the County Council. HomeSight provides down payment assistance to first-time, low-income homebuyers.

Developers, Owners, Sponsors

Individuals, for-profit entities, housing authorities, nonprofit organizations, and CHDOs can receive HOME funds in the roles of developers, owners, and sponsors of eligible activities.

The following table illustrates the type of applicants who typically carry out the various HOME activities.

	ELIGIBLE ACTIVITIES				
ELIGIBLE FUND USERS	Transitional Housing, Special Needs Housing	Permanent Rental Housing (new construction and rehabilitation)	TBRA	Owner Rehab	Purchase Assistance
Public Agencies	√	√	√	√	√
CHDOs	√	√			√
Housing Authorities	√	√	√	√	√

[9] *The 5% is for operating, not capacity building.*

Nonprofit Entities	√	√	√	√	√
For-profit Entities[10]	√	√	√	√	√

Project Beneficiaries

Overall requirements of the County's Home Program

All HOME funds must benefit households with incomes at, or below, 80% of the median income.

Ninety percent (90%) of funds used for rental housing and tenant-based rental assistance must benefit households with incomes which do not exceed 60% of the area median income.

Rental Project Requirements

For projects with 5 or more units, at least 20% of the HOME-assisted units must be affordable and rented to households with incomes of less than 50% of the area median incomes.

Minimum and Maximum Per Unit Subsidy

The HOME program established a required minimum HOME investment of $1,000 per unit.

The HOME program also establishes the maximum amount of HOME funds which can be invested in a unit. The maximum per unit subsidy amounts are established by HUD for the County and updated annually. The current limits will be published in the County's application for funding. For multi-family properties, the maximum subsidy is based on the number of bedrooms in a unit. For single family properties (defined as 1 - 4 unit properties), the maximum amount of HOME funds which can be invested is based on the after-construction, or after-rehabilitation value of the property

Home-assisted Units

The HOME Program distinguishes between the units in a project/program which are HOME-assisted and those which are not. For example, if in a 20 unit project, only 10 of the units are designated as HOME-assisted, the HOME Program requirements would apply only to those units.

Establishing the number of HOME-assisted units is based on the amount of HOME funds in the project, the maximum allowable cost per unit, and the total development cost per unit. The minimum number of HOME-assisted units must be proportional to the amount of County HOME funds in the project. For example, in a 20-unit project where 25% of eligible costs will be provided by HOME funds, at least 5 units must be HOME-

[10] Tax credit partnerships are considered to be for-profit entities due to the participation of the limited partners.

assisted. In addition, the total HOME investment divided by 5 cannot exceed the 1) maximum allowable subsidy per unit, or 2) the total development cost per unit. The formula for determining the number of required HOME units in a project will round up to the nearest whole number.

If all units in a project are comparable, then the costs of HOME-assisted and other units can be treated the same. If the units are not comparable (i.e. size, view, amenities) then the actual costs must be determined and allocated on a unit-by-unit basis.

The HOME-assisted units must be designated at the time of the commitment of HOME funds to the project/program. They may be:

- fixed--the specific units are designated and cannot change in the future, or
- floating--the specific HOME-assisted units can change overtime as long as the number of HOME-assisted units remains the same.

Housing Affordability and Occupancy Requirements

Affordability of Units

Housing units are considered affordable when tenants pay no more than 30% of their income for rent and utilities. There is not a comparable HOME standard for homebuyers. Mortgage underwriting for homeownership is typically based on buyers paying 28% to 35% of their monthly income for PITI (mortgage principal, mortgage interest, taxes, and insurance).

The HOME program establishes two types of rents. The applicable maximum rents for each category will be published in the County's application for funds.

- High HOME Rents are equal to 30% of income for a household at 65% of the median income, or the HUD-established Fair Market Rent, whichever is less.
- Low HOME Rents are equal to 30% of income for a household at 50% of the median income.

Occupancy Requirements of Rental Housing

The HOME program also has occupancy requirements. Initial occupancy of 90% of the rental units assisted with County HOME funds must be by households with no more than 60% of the median income. Twenty percent (20%) of the units in HOME-assisted projects with more than 5 units must be occupied by households with no more than 50% of the median income.

Rent Increases and Annual Income Certifications

Owners may raise rents in conformance with increases in the published High and Low HOME rents. New rents are published by HUD approximately annually. (Owners may also be required to lower rents if the published rents decrease.)

Occupants of HOME-assisted units must be recertified as income eligible on an annual basis. If a households' income has changed, the owner may increase or decrease the rent, while maintaining the agreed upon number of units renting in the High and Low HOME rent categories. If a unit moves from one category to the other, the rent for the next available unit must be set so as to bring number of units back into compliance. If a household's income goes above 80% of the median income, the rent must be raised to the market rate.

Duration of Low-Income Benefit

Rental Housing

For rental housing, the HOME Program requires that units be affordable to the intended income group for periods of time commensurate with the amount of HOME funds invested and the type of project. This requirement is referred to as the period of affordability. The following table shows the relationship between the amount of the HOME investment, the project activity and the required period of affordability.

PROJECT/ACTIVITY	**HOME $ PER UNIT/PERIOD OF AFFORDABILITY**
Acquisition, acquisition & rehabilitation, or rehabilitation of existing housing	<$15,000 per unit/5 years $15,000 to $40,000 per unit/10 years >$40,000 per unit/15 years
New construction or acquisition of newly constructed housing	Any amount of funds/20 years

Ownership Housing

There is no long-term affordability requirement when HOME funds are used to assist low-income owners of existing housing to repair their homes. When HOME funds are used to assist an income eligible buyer to purchase a home, there are requirements for long-term affordability similar to those for rental housing.

AMOUNT OF HOME FUNDS	**REQUIRED PERIOD OF AFFORDABILITY**
<$15,000	5 years
$15,000 - $40,000	10 years
>$40,000	15 years

When HOME funds are used to assist with home purchase, there are requirements related to what happens when the HOME-assisted unit is sold. They are summarized in the section on resale and recapture of funds on page 22.

Matching Funds

The County is required to match at least 25% of the HOME funds which are spent on projects/programs. “Match” can be provided through cash, assets, services, labor and other contributions of value to the County’s HOME program. Federal resources (i.e. CDBG funds) are not an eligible source of match.

Match does not have to be provided on a project-by-project basis. The match requirement applies to the expenditure of HOME funds on projects/programs in a given federal fiscal year (October 1 - September 30).

Eligible sources of matching funds include:

- Cash from a non-federal source
- Value of waived taxes, fees, or charges
- Value of donated land
- Cost of infrastructure improvements
- 25% to 50% (depending on the type of bonds) of the proceeds of government issued housing bonds provided as a loan to a project
- Value of donated materials, equipment, labor, or professional services
- Sweat equity
- Costs of supportive services for residents of HOME projects
- Cost of homebuyer counseling services

The County is responsible for calculating match credits and providing the required information to HUD.

From 1995 - 2010, the County’s HOME Program has been exempt from the match requirements because of the County’s designation as a flood disaster area. During that time, the County has been able to “bank” match credits when HOME projects/programs have included funds from eligible sources of match. The credits can be used to meet the match obligation for the future funding years.

The County will not require that each project include funds from an eligible source of HOME match. However, additional points for match will be awarded in the scoring of projects/programs by the TAC to encourage the use of eligible matching funds.

Layering Review Guidelines

The County must determine that no more than the necessary amount of HOME funds, in combination with other governmental funds, are invested in rental housing and homeownership projects. The procedure for making this determination is the layering review.

The layering review will be conducted for those projects which include state or other public funds. It will take place as part of the review of applications for County funding and again at the time of funding commitment. The per subsidy limit review formula will round-up to the nearest whole number. The review will consider the sources and uses of funds proposed for a project, the reasonableness of project development costs, the proposed project operating costs, and the amount of cash flow generated over time.

The layering review will determine if excess HOME funds are being requested based on an evaluation of cash-on-cash return on equity. The application for funding will require all of the following information which is needed to conduct the layering review.

- A statement of sources and uses, committed and proposed
- An annotated development budget
- An annotated operating budget
- A 15 to 20 year operating pro forma

In reviewing applications for capital projects, the County staff will prepare a Capital Subsidy Layering Review Form, using the above elements for each capital project submitted. They will bring the review up to date prior to executing the contract for the project and will file the review in the project folder as the documentation for the Capital Subsidy Layering Review.

Subsidy Layering also applies to homebuyer units with multiple government funding awards. The County allows agencies providing purchase assistance to conduct their own screening and loan underwriting for first-time homebuyers, so long as the underwriting procedures are substantially consistent with the following procedures and policy requirements. Each Homeownership subrecipient must provide a copy of their underwriting procedures and policy requirements that must be approved by the County in advance of executing a HOME agreement with the County.

Agencies will complete a Mortgage Subsidy Layering Worksheet provided by the County prior to executing a home loan using mortgage assistance from more than one government agency with the prospective homebuyer and will submit it to the County for approval. The County staff will review each Mortgage Subsidy Layering Worksheet to ensure that there is not an excess of HOME funds awarded to homebuyers. After receiving County approval, an Agency may proceed with the loan. The subsidy layering review documentation for each homeowner loan will be maintained in each Agency's Project folder.

Site and Neighborhood Standards

The units provided with HOME funds should promote housing choice and opportunity for low- and moderate-income County residents. To address that goal, the HOME Program requires that new construction of rental housing not contribute to existing concentrations of minority or assisted households.

Tenant Protections

Tenants must be afforded certain protections in any HOME-assisted project. The major tenant protections include the following provisions:

- leases must be for a minimum of one year unless mutually agreed to by the owner and tenant,
- an owner may not terminate tenancy or refuse to renew the lease except for violations of the terms of the lease or for violation of applicable federal, state, or local law, and,
- an owner must have written tenant selection policies and criteria that are consistent with the purpose of providing housing for the very low-income and low-income families.

Affirmative Marketing

As part of the application process, project sponsors will be asked to describe their affirmative marketing plan for the HOME-assisted units.

The affirmative marketing plan must include information on how:

- the sponsor will inform the public and potential residents about fair housing laws,
- the sponsor will affirmatively market the units and inform persons who might not normally apply for housing through special outreach,
- the sponsor will document affirmative marketing efforts and evaluate their success.

Federal Year 2012 Appropriation Requirements

Congress passed new requirements for the HOME Program effective with the federal year 2012 appropriations. There is a strong possibility that they will be included in the 2013 federal appropriations or incorporated in the proposed new HOME rule. The requirements are:

1. Four year completion date for HOME funds starting at the time of contract execution.
2. Project certification: assessment of enhanced project underwriting, developer capacity and demonstration of market need for both rental housing and homeownership units.
3. Deadline of six months for sale of newly constructed homebuyer units
4. CHDO development capacity

The County will be developing policies and procedures for all four requirements.

County Policies for Use of HOME Funds for Housing

The following policies which apply to the use of HOME funds are not required by federal regulations, but have been adopted by the Consortium.

Bridge loans

Repayment of a bridge loan is an eligible use of HOME funds. (It is not an eligible use of CDBG funds.)

In order to be considered for use of County HOME funds the bridge financing must meet the following criteria:

- is secured against the real property to be assisted with HOME funds,
- is documented in ways which make it clear that it is interim, not permanent financing,
- was part of the original financing for the project,
- was used to pay HOME-eligible costs,
- must be repaid no more than 5 years from the time of closing, and,
- was provided by a public or private lender, or by the seller of the HOME-assisted property.

Minimum rehabilitation Standards

The HOME Program requires the County to have a minimum housing rehabilitation standard for use of HOME funds. In the absence of a local rehabilitation standard, the County can adopt the Section 8 Housing Quality Standards (HQS) as the minimum standard. The County has identified the HQS as the required minimum standard.

In addition to the minimum requirements of the HQS, for projects involving moderate to substantial rehabilitation, project sponsors will be expected to provide quality housing that will last for 20 to 40 years. Rehabilitation requirements will be flexible to accommodate a variety of unit and building types. Rehabilitation work should largely focus on repair/replacement of major building systems necessary to insure viable, long-term housing. In addition, overall design of the project and proposed improvements must be appropriate to the tenants to be housed.

Resale and recapture provisions

Resale and recapture provisions apply to the use of HOME funds for homebuyer assistance programs. Snohomish County will allow for the use of either resale or recapture provisions, as appropriate. Resale or recapture provisions are triggered when, during the period of affordability, the housing ceases to be the principal residence of the buyer who was assisted with HOME funds.

Entities applying for funding for homebuyer assistance projects/programs will be required to schedule a pre-application conference with County staff to insure that projects/programs are designed to adequately address the resale and recapture provisions and that the applicant understands the requirements for return of recaptured funds to the County.

Applicants for HOME funding will need to propose resale or recapture provisions at the time of application for funding, and demonstrate how the provisions are consistent with the following resale or recapture guidelines.

Resale Guidelines

Resale provisions must be used in situations where HOME funding will be provided as development subsidies[11] and where assistance is provided to homebuyers in the form of grants. Resale provisions may be used in other instances as well. When resale provisions are proposed, they must ensure that:

- the property will be sold to a low-income buyer who will use the property as a principal residence,
- the price at resale will provide the original HOME-assisted buyer with a fair return on their original and any subsequent investments in the property, and
- the housing will continue to be affordable throughout the period of affordability to a range of low-income buyers.

Recapture Guidelines

Recapture provisions will be used when the home is purchased with the use of HOME funds as financial assistance that reduces the purchase price for the homebuyer or as gap financing, and is no longer the homebuyer's principal residence during the period of affordability. The County has selected the following option for HOME funds recaptured- Recapture Entire Direct HOME Subsidy Method is as follows: In the event of recapture Snohomish County or subrecipient shall collect from the Net Proceeds all of the HOME Funds, including outstanding principal, plus interest, plus shared appreciation as outlined in the Loan Documents.

In the event that net proceeds are insufficient to repay the HOME Funds, the amount to be recaptured shall be any funds remaining after payment of all superior non-HOME debt and closing costs that are subtracted from the sale price of the home. In no event shall the borrower be required to use funds other than net proceeds to repay the HOME Funds.

The County will be responsible for the enforcement of the recapture provisions and will require the subrecipient to obtain the recaptured funds from the homeowner. Recaptured funds must be used by the subrecipient for other eligible HOME activities or return to the County. The subrecipient is responsible to monitor to ensure that the homeowners continue to use the home as their primary residence. The County must be notified of any possible foreclosures or transfers in lieu of foreclosure during the period of affordability to help ensure that the resale and recapture provisions are followed. The County will recoup any net proceeds from available funds due to foreclosure.

Authorization and payment of pre-award costs

[11] A development subsidy results when the cost of constructing or rehabilitating a unit is more than the appraised value of the unit upon completion.

At the County's discretion, HOME funds may be used to reimburse the project/program sponsor for costs incurred after the award of funds to the project in an approved Annual Action Plan and prior to the effective date of the County's annual HOME Agreement for that year of funding, subject to certain conditions. The County will reimburse such project costs so long as the costs meet all regulatory requirements, including but not limited to, environmental review requirements, the costs represent eligible uses of HOME funds, *the Agency has received written authorization from the County* <u>*prior to*</u> *incurring the costs,* and the costs are within the allowable amount of pre-award costs allowed under the regulations

Use of Architect and Engineer for Housing Capital (HOME, CDBG & AHTF) Projects

<u>Single Residential Unit to Four Unit Residential Structures</u>

- The County strongly encourages the use of a licensed and insured architect or engineer to administer/manage new construction projects and/or rehabilitation projects that involve structural integrity and other scopes of work that could impact safety.

- All housing capital projects shall use the services of a licensed and insured professional architect to render plans or the plans must be stamped by an engineer. If the project will be using design plans (blueprints) from a previously contracted project, those plans must be used with permission from the Author & County, it must meet current code requirements as specified above and have been provided by a licensed architect or engineering firm.

- The contracting Agency *(Agency receiving County funds)* shall require all architectural firms subcontracted for services certify that they are authorized to do business in the state of Washington by providing a copy of their license and they are in full compliance with the requirements of the Board of Professional Registration and Washington state laws.

- The contracting Agency shall require that all architectural or engineering firms be covered by errors and omissions insurance in an amount not less than $1,000,000.

<u>Residential Structures Five Units and Larger or Public Facility & Infrastructure:</u>
(Projects within this classification include all of the above provisions, plus the following requirements)

- The County <u>requires</u> the use of a licensed and insured architect or engineer to both certify design of plans and to administer/manage the project.

Method for Determining Household Income

HUD allows Participating Jurisdictions (PJ's) to choose from three different methods of determining income eligibility for the HOME Program as stated in 24 CFR 92.203. PJ's must select one method for each type of HOME-funded activity.

To receive HOME assistance, households must have incomes at or below 80 percent of the area median household income, adjusted for household size and determined annually by HUD. Snohomish County will use the following methods for determining income eligibility for the following types of HOME funded activities:

1. Part Five (Section 8) will be used to determine annual household income for rental housing and homeowner rehab projects.

2. The IRS 1040 long form will be used to determine annual household income for homeownership purchase assistance and gap financing projects.

Federal policies for CDBG & HOME

There are federal requirements which apply to the use of either CDBG or HOME funds for housing projects. Several of these requirements have separate regulations which address their implementation. Following is a brief summary of each requirement.

Environmental Review

Before the County can authorize expenditure of any funds for a project, *an* environmental review must be completed. The expenditure of funds prior to completion of an environmental review may jeopardize funding for the project.

The purpose of *th*e environmental review is to determine if the proposed project will have any impacts that must be mitigated or if a complete Environmental Impact Statement (EIS) will be required. Most housing projects will fall into one of the following categories:

- Categorically excluded activities for which an assessment of impact on things such as historic properties, floodplains, wetlands, noise, and air quality must be made

- Activities for which a complete environmental assessment is required

County staff is responsible for conducting the environmental review per National Environmental Protection Act (NEPA) guidelines and notifying HUD of the outcome, if required. HUD will only release funds once the environmental review is complete, notices allowing for public comment have been published, and public comment periods have expired. The average environmental review process generally takes about 60-70 days.

Historic Properties

There are limitations on the site and building improvements/changes which can be made to historic properties. If a property is 45 or more years old, a determination must be made related to its potential historic significance. This determination is typically made through the environmental review process[12]. Federal regulations are aimed at meeting the need to create affordable housing while preserving historic significance. If there is any question that a potential housing site is historically significant, project sponsors should verify the historic nature of the site with the County before developing a rehabilitation or construction scope of work.

[12] The applicable federal law is the *National Historic Preservation Act of 1966.*

Acquisition

Acquisition, displacement, and relocation are governed by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (URA). The URA protects all persons who are displaced by a federally assisted project, regardless of their income. This is in contrast to section 104(d), which only protects displaced person whose incomes are at or below 80% of the area median income.

The URA applies to:

- Real Property Acquisition for HUD-assisted projects whether publicly or privately undertaken.
- Displacement that results from acquisition, demolition, or rehabilitation of HUD – assisted projects carried out by public agencies, nonprofit organizations, private developers or others.

Real Property Acquisition

There are two types of Acquisitions under the URA, Voluntary Acquisition and Involuntary Acquisition.

A voluntary acquisition applies when no specific site is needed, the identified property is not part of planned "project area", eminent domain will not be used, and if negotiations fail, the property will not be purchased. Involuntary acquisition applies when the buyer has the power of imminent domain and intends to use it, or when the property is part of a planned "project area."

Displacement and Relocation

Permanent displacement of low-income households by project/programs is strongly discouraged by the County. The URA stipulates the content and timing of notices for residents of properties to be acquired with federal funds. If residents will be displaced by the project, they must receive moving cost reimbursement, relocation assistance payments, and relocation assistance services.

The County has an adopted a "Residential Anti-displacement and Relocation Assistance Plan." The Plan states that the County will 1) discourage relocation, 2) take actions to mitigate the need for displacement, 3) allow for staged rehabilitation that lets tenants be temporarily relocated on site, and 4) conduct any unavoidable tenant relocation according to the requirements of the Federal Uniform Relocation Act (URA).

If an otherwise feasible and fundable project does necessitate permanent or temporary displacement and relocation, the relocation must be carried out in strict compliance with the URA. The County does not have the staff to carry out, or supervise, relocation on behalf of project sponsors. Prior to selection for funding, the project sponsor must demonstrate that both personnel and budget resources are available to implement relocation. Such projects must have qualified County-approved relocation personnel as part of the development team.

A pre-application conference is required for any project which may involve relocation to insure that the sponsor understands the URA requirements and that proper relocation notices are given. No relocation may be initiated prior to funding award except with the prior written approval of the County. Any notices issued to project residents on, or after, the date of a Purchase and Sale Agreement must be reviewed and approved, in advance, by the County.

A detailed Relocation Plan must be submitted with the application. The Plan must include:

- The estimated number of households to be displaced, both temporarily and permanently, and information on the basis for the estimates
- An assessment of the availability and cost of comparable replacement housing
- A proposed schedule for issuing required notices and carrying out relocation activities
- A description of the relocation responsibilities for all personnel involved in the relocation process and their relevant qualifications
- A budget, including the source of funds, for all relocation costs including moving costs, relocation payments, relocation services, and relocation personnel

If information on the size, composition, and specific income of displaced residents is not available at the time of application, county funding will be conditioned on the submittal of a complete and detailed relocation plan. A final relocation plan must also include a relocation schedule.

Approved URA & Section 104(d) Policies:

- URA Policy 2011 #1 – Section 104(d) Policy
- URA Policy 2011 #2 – Homebuyer Down Payment Assistance Program
- URA Policy 2011 #3 – Appeals Policy
- URA Policy 2011 #4 – Installment Policy

Housing Replacement

The “Residential Anti-displacement and Relocation Assistance Plan” also addresses the federal requirement for one-for-one replacement of low-income housing units.

The County will replace all occupied and vacant occupiable low- or moderate-income housing units which are demolished or converted to another use as a result of HOME or CDBG-assisted projects. Replacement housing will be provided within three years of the demolition or conversion of units.

Replacement units do not need to be provided by the same fund recipient whose project resulted in the housing loss. The County will count any net gain in units achieved through the investment of HOME or CDBG funds as having met the one-for-one replacement requirement.

Procurement

Entities using CDBG funds must comply with federal requirements in the procurement of professional services (architects, engineers, etc.) and contractors (construction). All procurement must be done competitively, although a number of methods are allowed. These include:

- The Small Purchase Method -- this method used when the value of the purchase services will be less than $100,000 and requires at least three competitive bids solicited by telephone or in writing
- The Sealed Bid Method -- this method is used for construction contracts and involves the preparation of a bid document, public advertisement of the bid, a public bid opening, and selection of the lowest competitive bid.
- The Request for Proposals or Qualifications Method -- this method is used most often for procuring professional services, but can also be used to create a short list of pre-qualified construction contractors from whom construction bids will be solicited. It involves the solicitation of proposals or statements of qualifications from a number of possible providers of the service. Selection is based on the preferred approach which is proposed or on the qualifications of the proposer, rather than on the lowest cost.
- Non-Competitive Awards -- this method is allowed only when none of the other methods is possible due to service being available only from one source, services are needed on an emergency basis, or one of the other methods was tried without sufficient response.

The HOME Program requires that any entity acting as a subrecipient comply with the same procurements requirements which apply to the CDBG Program. Public agencies, nonprofit organization, and for-profit entities acting as developers, owners, or sponsors are not subject to procurement requirements. However, the County requires review and approval by OHCS of any bid documents (sole source, negotiated, informal, or formal) and contracts to ensure that all federal requirements are included before they are finalized.

Only general contractors and subcontractors who are not federally debarred or suspended and have current Washington State business licenses with current Workers' Compensation accounts including proper insurance and bonding can work on capital construction projects. The County will check the status of the general contractor and subcontractors for federal debarment, suspension, licensing and Workers' Compensation accounts for capital construction projects. Licensing and debarment checks for owner-occupied housing rehabilitation and minor home repair clients, contractors and subcontractors are conducted by the entity receiving funding from Snohomish County Office of Housing and Community Services (OHCS)..

If procurement is not conducted according to the federal requirements, costs may not be reimbursable with CDBG funds. Applicants should contact the County staff prior to proceeding with any purchase for which CDBG funds might be the source of reimbursement.

Fair Housing and Handicapped Accessibility

Housing projects/programs assisted with federal funds are subject to a number of federal anti-discrimination laws.[13] Collectively, these laws protect the right of access to assisted housing units by persons regardless of their race, color, religion, sex, national origin, age, disability or familial status.

In addition, there are specific requirements related to creating handicapped accessibility in federally assisted housing. For substantial rehabilitation and new construction, a portion of the units must be handicapped-accessible. All activities of agencies receiving federal housing funds must be handicapped-accessible.

Equal Opportunity and WMBE UTILIZATION

Equal Opportunity

Federally funded housing projects/programs are subject to Executive Order 11246 which prohibits project owners or program operators from discriminating against employees or applicants for employment on the basis of race, color, religion, national origin, citizenship status, unfair documentary practices regarding employment verification, sex, age, and disability. In addition, Section 3 of the Housing and Urban Development Act of 1968 requires that contracts or job opportunities resulting from expenditure of CDBG or HOME funds be made available to low-income residents of the project area. These requirements are included in all contracts with project sponsors.

Women- and minority-owned Business Enterprises (WMBE)

The County is required to take affirmative actions to allow WMBE firms to benefit from federal funds. The County passes this requirement on to fund recipients who must make a good faith effort to employ WMBE firms when implementing projects/programs. These efforts can include advertising for professional services or construction contractors in minority publications, notifying WMBE firms directly of employment opportunities, or requiring that contractors hire WMBE subcontractors.

Labor Standards

Federal labor standards[14] which establish wage rates, work hours, and safety standards apply to housing projects when:

- 8 or more units are assisted with CDBG funds, or
- 12 or more units are HOME-assisted.

---

[13] Applicable laws include *Title VI of the Civil Rights Act of 1964*, the *Fair Housing Act*, *Executive Order 11063*, the *Age Discrimination Act of 1975*, the *Americans with Disabilities Act*, the *Architectural Barriers Act of 1968,* Section 109 of the *Housing and Community Development Act of 1974*, and Section 504 of the *Rehabilitation Act of 1973*.

[14] The applicable federal laws are the *Davis-Bacon and Related Acts*, *the Contract Work Hours and Safety Standards Act*, the *Copeland Anti-Kickback Act*, and the *Fair Labor Standards Act of 1938*.

The labor standards requirement may impact the cost of construction work and must be factored in during the development of the project budget. The labor standards process also requires a significant amount of reporting and documentation during construction. Monitoring for compliance with labor standards and the required reporting will be done by the County.

State Prevailing Wage requirements at RCW 39.12 also apply to public work which is defined as work, construction, alteration, repair or improvement that is performed at a cost to the state or any municipality, including, but not limited to, every city, county, town, port district, district or other public agency.

Agencies receiving HOME and/or CDBG grants for construction projects must pay Federal or State prevailing wages, whichever is higher.

Lead-based Paint

All housing units assisted with County funds must comply with the requirements of the Lead-Based Paint Poisoning Prevention Act of 1971. Exemptions to the requirements are:

- Units built after January 1, 1978
- Units which house only the elderly
- Studio units and Single Room Occupancy (SRO) units

The requirements generally include:

- Notification to tenants and homebuyers of the potential existence and hazards of lead-based paint
- Identification of painted surfaces
- Elimination of the hazards of defective surfaces to the extent practicable
- Response to children with elevated blood lead levels

Flood Insurance

Neither HOME nor CDBG funds can be spent in an area which has been designated by the Federal Emergency Management Agency as having special flood hazards unless 1) the County is participating in the National Flood Insurance Program, and 2) flood insurance is obtained.

Use of Volunteers

It is permissible to use the services of volunteers to carry out the rehabilitation or construction of housing. If volunteers will be paid a nominal fee, reimbursed for expenses, or provided with benefits, their use must be approved by HUD. If no such costs are involved, the County can approve their use.

If a project sponsor proposes to use volunteers to carry out any part of the construction or rehabilitation of housing, they will be required to submit a plan for the use of volunteers as part of the funding application. The plan will need to address the following:

- The availability of an adequate number of volunteers and sufficient volunteer time to complete the proposed activities
- The volunteers commitment to the timeframe and schedule for completing the project
- How the volunteers will be managed
- The experience of the volunteers and the management entity in carrying out similar projects
- As assessment of the cost savings to be achieved through the use of volunteers
- The ability of the sponsor to maintain records on the use of volunteers (required by the federal regulations)

Program Income

Some housing activities generate program income. Program income is defined as “gross income received by the County, or a subrecipient, which was generated from the use of CDBG/HOME funds or HOME matching contributions.” Income generated by housing projects or programs would typically fall into one of the following categories:

- Proceeds from the sale of real property which was purchased or rehabilitated with CDBG/HOME funds
- Income from the use or rental of CDBG/HOME-assisted real property owned by the County, or a public or nonprofit agency selected by the County to operate a portion of its housing program minus the costs of generating the income
- Payments of principal and/or interest on loans made with CDBG/HOME funds
- Any interest paid on CDBG funds held in an interest-bearing revolving loan fund account shall be considered interest earned on grant advances and must be remitted to HUD for transmittal to the U.S. Treasury no less frequently than annually.

For example, funds for housing are often provided as low-interest or deferred payment loans. The loan repayments are considered program income. The federal regulations require that:

- program income be spent before drawing funds from the County’s CDBG letter of credit or HOME Trust account,
- program income be spent only for eligible activities, and
- written agreements with sponsors of projects/programs which will generate program income must specify whether program income must be returned to the County or used by the sponsor for an eligible activity.

Conflict of Interest

The federal conflict-of-interest provisions prohibit any employee, officer, or agent of the County from participating in the award of funds for any activity if either a real or apparent conflict of interest exists. A conflict of interest would occur if any of covered persons had, or would be in a position, to gain a financial interest in any funded activity.

The HOME Program has additional conflict of interest provisions. The additional provisions state that: anyone who has, or has had, any role related to the use of HOME funds, or has been in a position to participate in decision-making or obtain inside information cannot have or obtain a financial interest or benefit from any HOME activity or have an interest in any contract or agreement representing themselves or anyone with whom they have a business or family relationship. The prohibition applies for one year after the person leaves the position in which they had a conflict.

In addition, an owner, developer, or sponsor of a project may not reside in a HOME-assisted unit in the project (does not apply to single-family owners and resident managers of rental housing.)

The Affordable Housing Trust Fund (AHTF) Program

Overview

The AHTF was established by the Snohomish County Council through Ordinance 02-065, adding a new Chapter 67 to Title 4 SCC. Funding for the AHTF derives from state law that requires county auditors to collect a $10 surcharge on certain document recordings. Auditors began collecting the fee on June 13, 2002. Auditors may retain up to 5 percent of collected funds for the administration of this recording fee. Forty percent of the remaining funds are to be returned to the state for use by the Office of Community Development to support operating and maintenance costs for housing projects affordable to extremely low-income persons with incomes at or below 30 percent of area median. The remaining 60 percent of the funds are to be retained by the county and must be used by the county and its cities for housing projects affordable to very low-income persons with incomes at or below 50 percent of area median.

Eligible and Ineligible Activities

AHTF resources can be used for a wide range of housing projects and programs. These include:

- Acquisition, construction, or rehabilitation of housing projects or units within housing projects affordable to very low-income households at or below 50% of the area median income, including units for homeownership, rental units, seasonal and permanent farm worker housing units, and single room occupancy units;
- Support building operation and maintenance costs of housing projects , that are affordable to very low-income households with incomes at or below 30% of the area median income; and that require a supplement to cover ongoing operating expenses;

- Rental assistance vouchers for housing ~~or~~ units affordable to extremely low-income households with incomes at or below 30% of the area median income; and
- Operating costs for emergency shelters and licensed overnight youth shelters.
- A priority must be given to eligible housing activities that serve extremely low-income households with incomes at or below 30% of the area median income.

Interlocal Agreements

State law requires that the AHTF be allocated to projects according to interlocal agreements between the county and the cities and towns within the county, consistent with countywide and local housing needs and policies.

The Interlocal Agreements require that:

- Fifteen percent (15%) of the funds collected each program year are designated for operating costs of emergency shelters and licensed overnight youth shelters within Snohomish County, including the City of Everett
- The City of Everett receive a set-aside of 21% of the balance of funds collected each program year, following the set-aside of emergency shelter operating funds. In exchange for this set-aside the County and City agree that the County will not allocate remaining AHTF resources to projects located within the boundaries of the City, unless the project provides an essential countywide benefit.
- The remaining balance of funds shall be allocated to housing projects selected by the County, consistent with the allocation of HOME and CDBG housing resources.

Fees

The Office of Housing and Community Development shall collect a 3% contract administration fee on all executed capital contracts to cover costs of administering the program.

Eligible Applicants

Public agencies, nonprofit organizations, and for-profit entities are all eligible to apply to the AHTF.

The following table illustrates the type of applicants who can eligibly carry out AHTF activities.

ELIGIBLE FUND USERS	ELIGIBLE ACTIVITIES			
	Acquisition, construction, and/or rehabilitation of housing	Support building operation and maintenance costs of housing projects	Rental assistance vouchers	Operating costs for emergency shelters and licensed overnight youth shelters
Public Agencies	√	√	√	√
Housing Authorities	√	√	√	√
Nonprofit Entities	√	√	√	√
For-profit Entities	√	√	√	√

Project Beneficiaries

All AHTF projects must benefit households with incomes at or below 50% of the area median income. The County reserves the right to require agencies to serve lower income households dependent upon the activity being pursued by the agency.

Rental Housing Requirements

Affordability of Units

Rent payments, including tenant-paid utilities, may not exceed 30 percent of the maximum monthly income level established for each assisted housing unit. Rents are based on the income of the target population rather than the individual household income and are based upon the most current HUD AMI rent schedule, less the applicable utility allowance.

Rent Increases and Annual Income Certifications

Owners may raise rents in conformance with increases in the published rents. New rents are published by HUD annually. (Owners may also be required to lower rents if the published rents decrease.)

Occupants of assisted units must be recertified as income eligible on an annual basis.

Operating and Maintenance Requirements for Rental Housing

- Projects applying for O&M funding must demonstrate that no other source of O&M funding is readily available.
- Projects must support households with incomes at or below 30% of area median.
- O&M funds may not be used to pay debt service on projects.
- Residents may pay no more than 30% of their adjusted monthly income for rent and utilities (Alternate rent schedules may be requested to meet unique program objectives).
- Funding is limited to a maximum of $3,500 per unit per year.
- O&M funds may be committed for up to a five-year period with the opportunity to reapply after the initial term.
- Up to $150,000 of available AHTF capital funds per year will be set-aside for O&M projects (funding for up to 42 units).
- Eligible O&M expenses include: on and off-site management expenses; cost of a project financial audit; administrative expenses (marketing, insurance, maintenance, etc), repairs and replacement costs, project paid utilities, replacement reserves additions and operating reserve additions.

Duration of Low-Income Benefit

The County shall require AHTF assisted projects to maintain benefit to low-income households at or below 50% of median income for at least 40 years.

Affirmative Marketing

As part of the application process, project sponsors will be asked to describe their affirmative marketing plan.

The affirmative marketing plan must include information on how:

- the sponsor will inform the public and potential residents about fair housing laws,
- the sponsor will affirmatively market the units and inform persons who might not normally apply for housing through special outreach,
- the sponsor will document affirmative marketing efforts and evaluate their success.

County Policies for Use of AHTF resources

Environmental Review and Development Standards

AHTF projects must comply with development standards and requirements of the jurisdiction in which the project is located. This may include permitting requirement and SEPA review.

Procurement

AHTF projects must comply with the County's procurement requirements which are:

For projects involving new construction or rehabilitation, a Quotation Request may be used for contracts at $10,000 or below. For contracts of $10,000 or more, a formal bid invitation is required. The County requires review and approval by the County of any bid documents (Quotation Request or formal bid) and contracts to ensure that all state and local requirements are included before they are finalized.

Only general contractors and subcontractors who are not federally debarred or suspended and have current Washington State business licenses with current Workers' Compensation accounts including proper insurance and bonding can work on capital construction projects. The County will check the status of the general contractor and subcontractors for debarment, suspension, licensing and Workers' Compensation accounts.

State Prevailing Wage

AHTF projects must comply with state prevailing wage requirements for rehabilitation and new construction of housing units. The County will require contractors and subcontractors to submit Statements of Intent to Pay Prevailing Wages and Affidavits of Wages Paid. The County will conduct pre-construction meetings with contractors and subcontractors to inform them of the state requirements and forms that must be completed and approved before any construction work can begin.

Local Housing Policies for CDBG, HOME, and AHTF

This section of the Plan describes the process for allocation of funds and polices which are not required by federal regulation, but have been adopted by the Consortium for use of CDBG, HOME, and AHTF funds.

Application Process

Once each year, the County will issue a Notice of Funding Availability (NOFA) which will signal the beginning of the application process. HOME AHTF and CDBG funds for housing will be available in the same application round. Applicants will not apply for funding from a specific source. The County will decide the funds to be awarded to individual projects based on available funds and the nature of the project, with the goal of funding the most projects which best address County housing needs.

For each application round there will be funding evaluation criteria approved by the PAB which will provide the basis for the TAC's scoring and ranking of projects. Funding criteria will include:

- The organizational capacity of the agency to manage the project
- The soundness of the project
- The financial feasibility of the project
- The community need and benefit of the project

- The project's readiness to proceed

The County staff will conduct a technical review of the projects for eligibility, feasibility, and degree to which the funding criteria are addressed. They will also recommend any funding conditions which should be required if the project is funded. The staff will prepare a summary and technical analysis of each proposed project or program.

The summary and analysis will be provided to the TAC for their review. The project sponsor will also have an opportunity to present the project/program to the TAC.

The TAC will:

- review the applications and staff reports,
- have the opportunity to ask questions of the sponsors,
- score and rank the projects based on the funding evaluation criteria, and
- make funding recommendations to the PAB.

The TAC may recommend total, partial, or no funding for an application.

The PAB will make final funding recommendations to the County Council for their review and approval. After the PAB makes recommendations, the project descriptions and funding recommendation will be made available for a 30-day public review and comment period prior to Council approval. Comments received will be considered prior to Council approval. CDBG and HOME awards will be included in the Annual Action Plan. AHTF awards will be done by separate motion.

County staff will hold an application workshop for each funding round. Project sponsors are strongly encouraged to attend these workshops. During the application process, County staff is also available for pre-application conferences for individual projects. For applicants who have not previously applied for housing funding, a pre-application conference will be required.

Site Control

An agency need not own the site of a proposed project at the time of application. However, the agency must demonstrate site control (ownership or executed purchase and sale agreement) before the County will contract for funds.

Forms of Assistance

Housing Projects

County funds will be provided to housing projects as a loan (no-interest or low-interest loan, either deferred payment or amortizing) secured by a deed of trust and promissory note, due and payable if the sponsor 1) fails to maintain the housing at the agreed upon affordability levels for the intended population, or 2) changes the use of the project without prior County approval.

The form of assistance will be determined on a case-by-case basis, as will be the specific loan terms. Loans will generally be for at least 20 to 40 years. The County will also record a covenant running with the land to control rents.

Housing Programs

For housing programs, such as homeowner rehabilitation or homebuyer purchase assistance programs, funds will be provided to the program operator as a grant.

Contracting Requirements

The Snohomish County Council typically approves the housing awards as part of the annual Snohomish County Action Plan in May of each year. Although the federal funds are generally available July 1st, the federal funds cannot be committed until funding agreements are executed between the County and HUD, which usually happens in late July or August.

The County will develop contract documents, including the mortgage, deed of trust, promissory note, and rental covenant for funded projects when all funds have been secured. Preparation and negotiation of final legal agreements can take from 30 to 60 days depending on the complexity of the project. The documents will be provided in draft form to the fund recipient for review prior to signing.

As a general policy, the County will only execute contract documents if the fund recipient can show evidence that all funds for the project have been committed; that the recipient has complied with any conditions that were part of the Consortium's funding award; and has complied with all statutory and regulatory prerequisites. This process can take anywhere from 3 months to a year after the funds have been awarded by the Council. Projects can incur costs for eligible activities from the time of the Council approval only if prior written approval from Snohomish County OHHCD has been received.

Appraisal Requirements

Prior to contacting for funds, recipients will provide the County with an as-is appraisal of any real property to be acquired in conjunction with a housing project. This policy will ensure that no more than current fair market value is paid for land or buildings to be acquired for County-assisted housing projects. The appraisal must be in a form acceptable to the County, and have been prepared no more than twelve (12) months prior to the date of the funding agreement.

The requirement for an appraisal can be waived by the Director of the Human Services Department (HSD) when the proposed acquisition price is an amount lower than the assessed value of the property.

The HSD Director will also have the right to approve the purchase of land or buildings for a price in excess of the as-is appraised value if the price can be justified based on other factors of importance to the County, such as the emergency need for the housing or the positive community development impacts of the project.

The County also reserves the right to require an after-rehabilitation appraisal if the circumstances of the project warrant such information.

Development Fees

The County recognizes the developer fee as the mechanism for compensating the developer, either nonprofit or for-profit, for services provided and risks taken in developing the project. The following table lists activities generally covered by the development fee.

DEVELOPMENT STAGES		
FEASIBILITY	PRE-DEVELOPMENT	CONSTRUCTION
Site search Identify funding sources Develop preliminary development & operating budgets Evaluate ownership structures	Obtain predevelopment financing Negotiate purchase & sale agreement Assemble development team Conduct due diligence Revise budgets as needed based on due diligence Negotiate any changes with seller based on due diligence Review plans & drawings Prepare financing applications Development management plan Prepare relocation plan if needed Review loan documents Close purchase of property	Monitor design Obtain permits Develop bid/contract documents Solicit bids or pre-qualify contractors Negotiate contracts Hold preconstruction conference Monitor construction Review & act on change orders Review & act on draw requests Coordinate relocation if needed Oversee project closeout Oversee project rent-up, sale of units, etc.

Project sponsors may propose a development fee as part of their funding application. In the application, the sponsor will be asked to provide a basis for the amount of the fee. An evaluation of the amount and schedule for drawing the fee will be part of the review process. In evaluating the fee, attention will be paid to how much the fee represents as a percentage of total development cost and the complexity of the project.

For projects receiving Low Income Housing Tax Credits (LIHTC), particular attention will be paid to the sponsor's proposal for the amount of the fee to be taken during the development period, and the amount to be loaned to the project and paid through the cash flow.

The developer fee will be considered "at risk" until the completion of the project. If, in the course of the development, the project needs funds in excess of budgeted contingencies, the County considers the developer fee a source for payment of those costs.

Mixed-Use Projects

County housing funds may be used in developing mixed-use structures which contain residential and other uses (i.e. retail space, commercial office space, spaces for the provision of services). The inclusion of non-residential spaces for the exclusive use of the residents does not create a mixed-use project. Residential spaces include common area, corridors, stairways, laundry areas, storage areas, office space for management of the building, entry ways and lobbies.

Housing funds may only be used for costs associated with the residential portion of the building. They must represent a proportion of the total development cost that does not exceed the proportion of residential space in the entire project.

Management of Housing Units

Sponsors of housing projects will be required to address their management capabilities in the fund application. Organizations with adopted management plans will be asked to submit a copy along with the application. Those without such a plan will be asked to describe, in detail, how the units will be managed. Whether addressed through an adopted management plan or in the application, sponsors will need to describe:

- Occupancy standards
- Tenant selection
- Rent collection, late payment, and eviction
- Process for determining and implementing rent increases
- Experience serving the proposed population
- Description of management staff
- Use of reserves
- Long-term maintenance plan
- Marketing of units, including affirmative marketing
- Form of leases or rental agreements

Sponsors of emergency shelters, transitional housing, or special needs housing will also need to describe the service program being provided to residents, the projected availability of service funding, the process by which residents are referred to and from the housing and any contractual relationships with service providers. The management information will be evaluated in the review process and considered by the staff and TAC in scoring and ranking each proposal.

Monitoring

Monitoring during Project Development

Snohomish County will monitor new construction and rehab projects which are solely administered by Snohomish County. If a project has multiple funding sources, Snohomish County will work with the other funders to determine who will take the lead for construction monitoring.

The monitoring will consist of: 1) a review of any bid documents (negotiated, informal or formal) and construction contracts before they are finalized to determine if application federal, state or local requirements are included; 2) documentation of labor standards; 3) review of change orders; 4) review of payment requests and supporting documentation; 5) periodic inspection of the work being done; and 6) final inspection before final invoice is approved.

On-going Monitoring

Both the CDBG and HOME Programs require that the County periodically monitor housing projects after completion and rent-up. Monitoring will be conducted through the review of annual reports submitted by fund recipients and on-site visits by County staff.

The County will conduct on-site visits of CDBG and HOME housing projects at least every three years. The HOME Program requires the following related to monitoring of rental housing projects based on the number of HOME-assisted units:

- Every 3 years for 1 to 4 unit projects
- Every 2 years for 5 to 25 unit projects
- Annually for projects of 26 or more

A risk assessment will be conducted on the capital projects which receive AHTF funds only, to determine the scope of the monitoring to be conducted and frequency. The County will conduct on-site visits of AHTF housing projects at least every three years.

The County will monitor projects for compliance with the requirements of the contract documents including rent and occupancy, maintenance of the property, on-going financial feasibility of the project, maintenance and use of reserves, and recordkeeping.

Reporting

All funded capital projects will be required to submit a Combined Funders Annual Report for the preceding calendar year by July 31st, unless otherwise negotiated. The Report will cover occupancy information, occupant characteristics, income and taxes, records, etc. The Report will be required each year for the duration of the use restriction covenant. All HOME funded projects will be required to submit a Project Completion Report within 90 days of their last invoice request. The report includes type of housing activity, objective and outcome, all sources of funding, and household characteristics. Other reports may be required depending on the source of funds and scope of the project.

.1 OF 1% SALES TAX FOR MENTAL HEALTH AND CHEMICAL DEPENDENCY PROGRAM:

Eligible Activities: The activities for these funds will be limited to the following: Acquisition of land and building, emergency shelter, manufactured housing, new construction, rehabilitation of single and multi-family housing, permanent rental housing, relocation costs, site improvements (on site only) and transitional rental housing. The funds require a ~~thirty (30)~~ **forty (40)** year use restriction/affordability period ~~that shall survive any and all take-out financing~~. The **forty (40)** ~~thirty (30)~~ year use restriction may be lifted from the property only in instances of involuntary action associated with a foreclosure. Set-aside units serving individuals and/or families that require chemical dependency treatment and/or mental health services may “float” within the project, but at no time shall the established set-aside fall below the established set-aside commitment.

Program Focus: The Sales Tax Program will allow access to low-cost funds and should target projects that are consistent with the County’s affordable housing production plan and the Snohomish County Urban County Consortium Consolidated Plan (Consolidated Plan) goals when feasible to do so. The purpose of this funding is to establish safe, clean and affordable housing to the maximum number of persons possible who are either currently receiving services through the public mental health system or the chemical dependency treatment system, or were recently engaged in these services. Projects proposing to utilize these funds must provide dedicated units, and the appropriate level of supportive services needed to serve these populations. Projects are also encouraged to serve individuals and/or families that are homeless or at risk of becoming homeless, have special needs and other populations as defined in the Consolidated Plan.

The Sales Tax Loan Program was created to provide low-cost financing for the acquisition, acquisition/rehabilitation or new construction of projects that will be developed to provide low-income housing to households with incomes at or below eighty (80) percent of the Area Median Income (AMI) and with dedicated projects units serving individuals and/or families that require chemical dependency treatment and/or mental health services or are in recovery.

Sales Tax project household units shall not exceed 80% Area Median Income at time of initial lease and must have a documented history of alcohol/drug and/or mental health needs, though projects serving homeless populations are a priority.

Program Priorities:

(The priorities are not in rank order, but rather are displayed in aggregate form. Projects are not required to meet all of the priorities in order to be funded):

1. Projects that establish a set-aside that meets or exceeds twenty percent (20%) of the set-aside of target population.
2. Fifty (50) percent or more of the project units to be set-aside to serve households at or below fifty (50) percent AMI.
3. Projects that serve homeless or those at risk of becoming homeless.
4. Projects that have a reasonable set-aside of units for eligible populations, commensurate with the extent of Sales Tax funding in the project.

5. Mixed use projects that provide sustainable set-aside distribution of multi-layer income units. Although the sales tax dollars are to be used for residential housing under eighty (80) percent AMI, it is recognized that projects with commercial and/or market rate units may be utilized to off-set costs for the low-income set-aside units. Commercial space and market rate units are not an eligible activity, but common use space tied to residential use is an eligible activity.
6. Projects that have a non-smoking policy in place at the time of contract execution or at the time of certification of occupancy, whichever occurs latest.

Eligible Borrowers

To be potentially eligible for a Sales Tax loan, the project borrower must meet the following criteria. Eligibility determination is at the sole discretion of Snohomish County:

- Applicant(s) eligible for funding include Public Housing Authorities, Non-profit organizations, local government, Community Housing Development Organizations (CHDO's) and For-profit entities.
- Borrower(s) must demonstrate that applicants have successfully developed and operated at least two publicly-funded affordable housing capital projects in Washington State, if agency plans to pursue public take-out funding. If applicant is not planning to pursue public funding the agency must demonstrate that they have successfully developed and operated at least 2 non-subsidized projects in Washington State.
- Borrower(s) must provide the two most recently completed independent organizational financial audits that reflects an unqualified opinion with no findings or material weaknesses. If findings are present, projects may still be approved or denied depending on the level of severity and whether the findings were curable or if an outlined corrective action plan is in place, which meets the satisfaction of the County.
- Borrower(s) is in good standing with local public funders, including being current with annual report submissions.
- Borrower(s) properties are well-maintained and are performing to industry standards. If applicant(s) has been publically funded must demonstrate that they have remained in compliance with public funder regulatory and loan agreement terms.
- Borrower(s) must demonstrate sufficient deposits have been made in borrower's replacement and operating reserve accounts in accordance with public funder contract requirements, if applicant does not plan to seek public funds the replacement and operating reserves must be consistent with the private market industry standards.
- All borrower(s) projects must demonstrate that they are current with debt service including public funder loan payments, taxes and insurance.
- Borrower(s) development track record must demonstrate that projects were completed within acceptable timelines and within budget.

- Borrower(s) current pipeline is sized such that they can demonstrate the ability to secure to successfully develop and operate the proposed project.

Loan Rate, Term and Requirements

- **Sales Tax Loan terms shall be zero percent (0%), deferred, and forgivable upon completion of the required compliance term.**

- All loans will be secured with a Restrictive Use Covenant running with the land. While Snohomish County will subordinate to other loans that are larger than Snohomish County's loan, an affordability covenant agreement will be placed in first lien position.

Project Criteria:

1. **Affordability Period:** The project must remain affordable on the same basis for a period of not less than thirty (30) years from the date of acquisition or acquisition/rehabilitation. The County is open to transferring the 30 year Affordability Period to other properties of comparable value that will serve the same number of households or more.

2. **Rent structure:** The applicant shall propose and specifically outline a reasonable tenant rent structure that is appropriate for the population being served.

3. **Development Fee:** Reasonable, competitive development fees, not exceed 10 percent of total development costs (less the development fee) are allowed.

4. **Budget Feasibility and Sustainability:** Projects must establish a financial pro forma that demonstrates project sustainability.

5. **Floating Unit(s):** Project units may "float" within the designated property, but the aggregate number of units shall remain the same and be of comparable size by square foot and amenities.

6. **Property Value:** For projects involving property acquisition, the applicant must establish the acquisition price does not exceed fair market value.

7. **Reporting Requirements:** Successful applicants receiving monies from the Sales Tax Fund will be required to report client level data using the County's Homeless Management Information system (HMIS). Successful applicants will work with the Human Services Department Researcher to develop additional data elements for reporting.

   Successful applicants must have an internal mechanism to determine effectiveness, efficiency, and client satisfaction with services provided under any contract resulting from this **NOFA** and must submit an annual outcomes report.

8. **Housing Operations Plan:** The successful **a**pplicant must prepare and implement a Housing Operations Plan, which includes, but is not limited to, the following:

   a. Management procedures;

   b. Lease enforcement, rent collection, delinquency follow-up, housing retention, and the eviction process;

   c. Screening applicants and moving tenants into housing;

   d. On-site management operations staff and program design (if any);

   e. Client services; and

   f. Move-out and unit turnaround procedures.

9. **Labor Harmony:** All applicants selected for an award through this NOFA agree to comply with Snohomish County Ordinance No. 09-011, Labor Harmony Requirement, including providing a “no service disruption guarantee.”